



**Since 1956**

**Pegasus International Holdings Limited**

**創信國際控股有限公司**

*(Incorporated in Bermuda with limited liability)*

*(於百慕達註冊成立之有限公司)*

*(Stock Code 股份代號 : 676)*

**INTERIM REPORT 2010 中期報告**

The Board of Directors (the “Directors”) of Pegasus International Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2010 with comparative figures for the corresponding period in 2009.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30th June, 2010*

		<b>Six months ended</b>	
		<b>30th June,</b>	
		<b>2010</b>	2009
		<b>(unaudited)</b>	(unaudited)
	NOTES	<b>US\$'000</b>	US\$'000
Revenue		<b>41,505</b>	58,548
Cost of sales		<b>(34,161)</b>	(49,433)
Gross profit		<b>7,344</b>	9,115
Other income		<b>111</b>	158
Selling and distribution costs		<b>(3,642)</b>	(4,007)
Administrative expenses		<b>(3,732)</b>	(4,129)
Share of profit of an associate		<b>4</b>	3
Share of profit (loss) of a jointly controlled entity		<b>74</b>	(225)
Interest on bank borrowings wholly repayable within five years		<b>(79)</b>	(129)
Profit before taxation		<b>80</b>	786
Taxation	5	<b>(41)</b>	(157)
Profit for the period		<b>39</b>	629
Other comprehensive income (expense)			
Exchange differences arising on translation of foreign operations		<b>158</b>	(302)
Other comprehensive income (expense) for the period		<b>158</b>	(302)
Total comprehensive income for the period		<b>197</b>	327
Earnings per share	7		
Basic		<b>0.005 US cent</b>	0.09 US cent

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2010

	NOTES	At 30th June, 2010 (unaudited) US\$'000	At 31st December, 2009 (audited) US\$'000
<b>Non-current assets</b>			
Property, plant and equipment	8	56,867	58,302
Prepaid lease payments		5,976	6,061
Interests in an associate		672	668
Interests in a jointly controlled entity		1,862	1,788
		<b>65,377</b>	66,819
<b>Current assets</b>			
Prepaid lease payments		165	165
Inventories		36,245	40,044
Trade and other receivables	9	4,715	8,110
Held for trading investments		313	–
Bank balances and cash		30,249	22,883
		<b>71,687</b>	71,202
<b>Current liabilities</b>			
Trade and other payables	10	7,673	8,059
Tax payable		1,175	1,142
Unsecured bank borrowings – due within one year		2,949	4,182
		<b>11,797</b>	13,383
<b>Net current assets</b>		<b>59,890</b>	57,819
		<b>125,267</b>	124,638
<b>Capital and reserves</b>			
Share capital	11	9,428	9,428
Share premium and reserves		108,228	108,974
<b>Total equity</b>		<b>117,656</b>	118,402
<b>Non-current liabilities</b>			
Unsecured bank borrowings – due after one year		5,750	4,375
Deferred tax liabilities		1,861	1,861
		<b>7,611</b>	6,236
		<b>125,267</b>	124,638

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2010

	Share capital US\$'000	Share premium US\$'000	Properties revaluation reserve US\$'000	Merger reserve US\$'000	Translation reserve US\$'000	Dividend reserve US\$'000	Retained profits US\$'000	Total US\$'000
At 1st January, 2009	9,428	21,644	5,427	(4,512)	14,364	-	72,975	119,326
Profit for the period	-	-	-	-	-	-	629	629
Exchange differences arising on translation of foreign operations	-	-	-	-	(302)	-	-	(302)
Total comprehensive income for the period	-	-	-	-	(302)	-	629	327
As 30th June, 2009	9,428	21,644	5,427	(4,512)	14,062	-	73,604	119,653
At 1st January, 2010	9,428	21,644	3,576	(4,512)	14,189	943	73,134	118,402
Profit for the period	-	-	-	-	-	-	39	39
Exchange differences arising on translation of foreign operations	-	-	-	-	158	-	-	158
Total comprehensive income for the period	-	-	-	-	158	-	39	197
Final dividends paid for 2009	-	-	-	-	-	(943)	-	(943)
As 30th June, 2010	9,428	21,644	3,576	(4,512)	14,347	-	73,173	117,656

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***For the six months ended 30th June, 2010*

	<b>Six months ended</b>	
	<b>30th June</b>	
	<b>2010</b>	2009
	<b>(unaudited)</b>	(unaudited)
	<b>US\$'000</b>	US\$'000
<b>OPERATING ACTIVITIES</b>		
Cash generated from operations	<b>8,442</b>	13,909
Taxation in other jurisdictions paid	<b>(8)</b>	(4)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>8,434</b>	13,905
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	<b>(239)</b>	(381)
Interest received	<b>51</b>	65
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(188)</b>	(316)
<b>FINANCING ACTIVITIES</b>		
Repayment of bank loans	<b>(2,795)</b>	(4,220)
Bank loans raised	<b>3,000</b>	–
Dividends paid	<b>(943)</b>	–
Interest paid	<b>(79)</b>	(129)
Net decrease in trust receipts loans	<b>(63)</b>	(53)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(880)</b>	(4,402)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>7,366</b>	9,187
<b>CASH AND CASH EQUIVALENTS AT 1ST JANUARY</b>	<b>22,883</b>	12,856
<b>CASH AND CASH EQUIVALENTS AT 30TH JUNE, REPRESENTED BY BANK BALANCES AND CASH</b>	<b>30,249</b>	22,043

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard 34, Interim Financial Reporting.

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December 2009.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (“new or revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1st January 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1st January 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

The Group has not early applied new and revised standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

## 3. SEGMENT INFORMATION

For the purpose of resources allocation and performance assessment, the chief operating decision maker of the Group, being the Group's chief executive officer, regularly reviews the revenue and operating results analysis by geographical market based on destination of the goods shipped or delivered, irrespective of the origin of the goods. However, the chief decision maker does not regularly review the segment assets and segment liabilities.

The Group's operating segments under HKFRS 8 are North America, Europe, Asia and other regions.

*Six months ended 30th June, 2010*

	<b>North America US\$'000</b>	<b>Asia US\$'000</b>	<b>Europe US\$'000</b>	<b>Others US\$'000</b>	<b>Consolidated US\$'000</b>
<b>REVENUE</b>					
External sales of goods	19,063	13,868	6,703	1,871	41,505
<b>RESULTS</b>					
Segment results	2,247	1,575	811	270	4,903
Unallocated income					60
Interest income					51
Unallocated expenses					(4,933)
Share of profit of an associate					4
Share of profit of a jointly controlled entity					74
Interest on bank borrowings wholly repayable within five years					(79)
Profit before taxation					80
Taxation					(41)
Profit for the period					39

**3. SEGMENT INFORMATION** *(Continued)**Six months ended 30th June, 2009*

	North America US\$'000	Asia US\$'000	Europe US\$'000	Others US\$'000	Consolidated US\$'000
<b>REVENUE</b>					
External sales of goods	24,669	20,054	11,607	2,218	58,548
<b>RESULTS</b>					
Segment results	3,005	1,978	1,414	270	6,667
Unallocated income					93
Interest income					65
Unallocated expenses					(5,688)
Share of loss of an associate					3
Share of loss of a jointly controlled entity					(225)
Interest on bank borrowings wholly repayable within five years					(129)
Profit before taxation					786
Taxation					(157)
Profit for the period					629

**4. PROFIT BEFORE TAXATION**

	Six months ended 30th June,	
	2010 US\$'000	2009 US\$'000
Profit before taxation has been arrived at after charging:		
Directors' emoluments	226	232
Other staff costs	12,039	15,179
Retirement benefits scheme contributions (excluding contributions in respect of directors)	678	1,031
Total staff costs	12,943	16,442
Auditors' remuneration	72	72
Depreciation of property, plant and equipment	1,674	3,124
and after crediting to other income:		
Interest income	51	65

**5. TAXATION**

	Six months ended 30th June,	
	2010 US\$'000	2009 US\$'000
Current taxation:		
Hong Kong	–	–
PRC	40	156
Taiwan	1	1
Taxation attributable to the Group	41	157

## 5. TAXATION *(Continued)*

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the current and prior periods.

The relevant tax rates for the Group's subsidiaries in the People's Republic of China are 25% for the current and prior periods.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

## 6. DIVIDENDS

On 7th June, 2010, a dividend of 1 HK cent per share (2009: Nil) was paid to shareholders as the final dividend for 2009.

The directors do not recommend the payment of an interim dividend.

## 7. EARNINGS PER SHARE

For the six months ended 30th June, 2010, the calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company of US\$39,000 (six months ended 30th June, 2009: US\$629,000) and on the weighted average number of 730,700,000 (2009: 730,700,000) ordinary shares in issue during the period.

No diluted earnings per share for the six months ended 30th June, 2010 and 2009 have been presented because there are no potential dilutive ordinary shares outstanding.

## 8. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

The Group spent approximately US\$239,000 (six months ended 30th June, 2009: US\$381,000) on additions to property, plant and equipment.

**9. TRADE AND OTHER RECEIVABLES**

The Group allows its trade customers an average credit period of 60 days. The following is an aged analysis of the Group's trade receivables presented based on the invoice date at the end of the reporting date:

	<b>30th June, 2010</b>	31st December, 2009
	<b>US\$'000</b>	US\$'000
0-30 days	<b>2,937</b>	4,875
31-60 days	<b>106</b>	240
Over 60 days	<b>254</b>	290
Total trade receivables	<b>3,297</b>	5,405
Other receivables	<b>1,418</b>	2,705
	<b>4,715</b>	8,110

**10. TRADE AND OTHER PAYABLES**

The following is an aged analysis of the Group's trade payables presented based on invoice date at the end of the reporting date:

	<b>30th June, 2010</b>	31st December, 2009
	<b>US\$'000</b>	US\$'000
0-30 days	<b>1,652</b>	2,257
31-60 days	<b>80</b>	167
Over 60 days	<b>155</b>	450
Total trade payables	<b>1,887</b>	2,874
Other payables	<b>5,786</b>	5,185
	<b>7,673</b>	8,059

**11. SHARE CAPITAL**

	<b>Number of shares</b>	<b>Amount US\$'000</b>
<i>Authorised</i>		
<i>Ordinary shares of HK\$0.10 each</i>		
At 1st January, 2009, 31st December, 2009 and 30th June, 2010	1,500,000,000	19,355
<i>Convertible non-voting preference shares of US\$100,000 each</i>		
At 1st January, 2009, 31st December, 2009 and 30th June, 2010	150	15,000
		34,355
<i>Issued and fully paid</i>		
<i>Ordinary shares of HK\$0.10 each</i>		
At 1st January, 2009, 31st December, 2009 and 30th June, 2010	730,700,000	9,428

**12. COMMITMENTS**

At the end of the reporting period, the Group had agreements with licensors to obtain licenses to use certain materials and trademarks in a number of merchandising activities for one to two years. Pursuant to the agreements, the Group has agreed to pay royalties to the licensors which are based on certain fixed percentages of the selling prices for items sold.

At 30th June, 2010, the minimum royalties payable to the licensors for the remaining contract periods amounted to US\$914,000 (31st December, 2009: US\$1,440,000).

## FINANCIAL REVIEW

During the six months ended 30th June, 2010, the Group continued to concentrate on the manufacture and sales of footwear products. For the six months ended 30th June, 2010, the Group achieved a turnover of US\$41,505,000 (2009: US\$58,548,000) despite the continuously changing operating environment.

Profit of the Group for the six months ended 30th June, 2010 was US\$39,000 (2009: US\$629,000). Basic earnings per share for the six months ended 30th June, 2010 was 0.005 US cents (2009: 0.09 US cents). The gross profit margin increased slightly to 17% in the period.

## BUSINESS REVIEW AND FUTURE PROSPECTS

### Manufacturing Industry

Going through the tough journey in 2009, 2010 is another challenging year for exporting manufacturing industry. The worldwide economy still under the threat of those giant US and European regimes, customers are still conservative during spending and even more pessimistic than last year, the overall purchasing power is still very vulnerable. On the other hand, continuous pressure is coming from costing consideration. The minimum wages in China increased further in 2010, together with other rising contributions in staff benefit and miscellaneous taxes, posting an huge impact to the operation and profitability of the Group.

During the period, the Group maintains a sounds financial management and effective use of resources, striving for the best result in the period. However, our commitment to customers and products will never change. We have solid foundation, expertise and experience in manufacturing industry, these core values would help us to break through the current crisis.

### Domestic Market

The PRC market remains the largest market for domestic sales. As international brands successively enter the PRC market, the operating model will continue to change, resulting in changes in the overall supply chain or even the end users.

We began to enter the domestic sales market since 1998. In view of the changing environment, the Group will also make substantial adjustments and restructure its profile:

## BUSINESS REVIEW AND FUTURE PROSPECTS *(Continued)*

### Domestic Market *(Continued)*

- Continue to develop Disney and Oshkosh channel sales
- Expand the channel development of Nike and Converse apparel and footwear franchise outlets and department store concessionaries
- We will also accelerate the development of our self-developed brand, Magic House (for kid's) and the additional apparel series will be officially launched in the market in September 2010
- “Y-Zone” (for teenagers) apparel and footwear products will be officially launched in the market in Spring 2011

### Future Prospects

Amid the profound changes in the operating environment, we have adopted the approach of “striving to consolidate our foundation and move forward for future growth”.

The Group will operate its business in adherence to healthier values and strengthen its brand under “value management”.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2010, the Group's total net assets was US\$117,656,000, comprising mainly current assets of US\$71,687,000, non-current assets of US\$65,377,000, current liabilities of US\$11,797,000 and non-current liabilities of US\$7,611,000. The current ratio was approximately 6.08 times and net bank balances and cash of US\$21,550,000 was recorded as at 30th June, 2010. The Group services its debts primarily through cashflow generated from its operation. The Directors believe that the Group has maintained sufficient working capital for its operation and future expansion.

## DIRECTORS' INTERESTS IN SHARES

As at 30th June, 2010, the interests of the directors and their associates in the share, underlying share or debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinances (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by the Directors of Listed Companies, were as follows:

### Long positions

(a) *Ordinary shares of HK\$0.10 each of the Company*

<u>Name of director</u>	<u>Capacity</u>	<u>Number of issued ordinary shares held</u>	<u>Percentage of the issued share capital of the Company</u>
Wu Jenn Chang, Michael	Beneficial owner	8,000,000	1.09%
Wu Jenn Tzong, Jackson	Beneficial owner	1,000,000	0.14%
		9,000,000	1.23%

(b) *Ordinary shares of the associated corporations of the Company*

Pegasus Footgear Management Limited (note 1)

<u>Name of director</u>	<u>Capacity</u>	<u>Number of issued ordinary shares held</u>	<u>Percentage of the issued share capital of the associated corporation</u>
Wu Chen San, Thomas	Beneficial owner (note 2)	3,235	16%
Wu Jenn Chang, Michael	Corporate (note 3)	6,470	32%
Wu Jenn Tzong, Jackson	Corporate (note 4)	6,470	32%
		16,175	80%

## DIRECTORS' INTERESTS IN SHARES *(Continued)*

### Long positions *(Continued)*

Notes:

1. Pegasus Footgear Management Limited is the holding company of the Company.
2. The shares are jointly held by Mr. Wu Chen San, Thomas and Mrs. Peggy Wu, the spouse of Mr. Wu Chen San, Thomas.
3. The shares are entirely held by M.W. Investment Limited, a company owned by Mr. Wu Jenn Chang, Michael.
4. The shares are entirely held by J.W. Investment Limited, a company owned by Mr. Wu Jenn Tzong, Jackson.

Save as disclosed above, at 30th June, 2010, none of the directors nor their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation.

## ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period was the Company, its holding company, or subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2010, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests disclosed in "Directors' Interests in Shares", the following shareholder had notified the Company of relevant interest in the issued share capital of the Company.

### Long position

*Ordinary shares of HK\$0.10 each of the Company*

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company %
Pegasus Footgear Management Limited (note)	Beneficial owner	468,743,940	64

## SUBSTANTIAL SHAREHOLDERS *(Continued)*

### Long position *(Continued)*

Note: Details of the directors' interests in Pegasus Footgear Management Limited are disclosed under the section headed "Directors' Interests in Shares".

Save as disclosed above, the Company has not been notified of any other relevant interests or short position in the issued share capital of the Company as at 30th June, 2010.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the six months ended 30th June, 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## CORPORATE GOVERNANCE

The Company has complied throughout the six months ended 30th June, 2010 with the code provisions set out in the Code on Governance Report contained in Appendix 14 to the Listing Rules.

## COMPLIANCE WITH THE MODEL CODE SET OUT IN APPENDIX 10 OF THE LISTING RULES

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exact than the required standard set out in Appendix 10 Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules. Having made specific enquiry of all directors, all directors have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions.

## AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements.

By Order of the Board  
**Wu Chen San, Thomas**  
*Chairman*

Hong Kong, 24th August, 2010

